

# NATIONAL REVIEW

## Bulletin

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**A** lady we know (*prof.*, housewife) complains that her trouble with Mr. Kennedy's foreign policy is that she never seems able to answer her children's questions. "Mother," the senior daughter, recently taken to reading the *N--Y--T--*, will ask, "why didn't we just push that wall down?" "Well, dear, you see," our friend will begin, "the President was afraid that direct action might provoke *them* into firing H-bombs, and. . . ." "But Mother, *they* didn't worry about our firing H-bombs when they started *building* the wall, so why should *we* worry if we start *unbuilding*? And besides, a President isn't *supposed* to be afraid, is he?"

And what *are* the answers? Why doesn't the U. S. allow the Katangese to have the kind of government they want, when we support "self-determination" for just about anyone else on earth that hollers for it? What have we got against Tshombe, anyway? Isn't it a fact known to everybody that Tshombe is the most pro-Western and pro-American leader in the Congo, and maybe in all Africa, and that his regime has been the most orderly, progressive and decent?

Why don't we just up and tell the members of the UN that we won't let Communist China join? Everybody knows that the UN would collapse in two minutes if we withdrew our financial and political backing; and therefore we can get our way in the UN easily enough if we threaten to do just that, and mean it. What can *we* pos-

sibly gain from legitimizing the Red Chinese government? Isn't the internal situation of the UN enough of a shambles as it is? Why should we permit, or even conceive of allowing, another outright enemy unit to establish itself in the UN offices and corridors, get access to its files, make use of its forum, spy on us from its base?

Why don't we test some bombs? What on, under or above the earth is it that prevents the President from giving the brief order for which his soldiers and technicians have so long been waiting? Maybe there was an argument (though *NR* did not think so) for our holding off to exert moral pressure on the enemy to do likewise. But he's gone ahead with one bang after another. Everybody knows that his nuclear power has leapt ahead through his crash series. Everybody knows that we are falling—relatively at least—behind, that we cannot develop the devices our security requires without tests. So *what* are we waiting for? For a "new moratorium" that will last, like the last one, until the exact moment when the enemy wants to break it? Until his weapons development has reached a point where he will be able to say: surrender or die?

Come to think of it, maybe the answers all come down to one more question: *why do we*—*we* citizens that is—elect a John F. Kennedy for our President?

## The WEEK

● The crew of a British airliner, cruising at 13,000 feet above the Channel, had to subdue a passenger trying to open the main door. "I think he was trying to throw out his cigarette stub," the co-pilot explained on landing, according to a Reuters dispatch. Isn't there *anything* a person can do these days without the authorities butting in?

● Prime Minister Nehru has completed his visit. He rhapsodized on self-determination for any area that might self-determine itself into neutralism or socialism, but wouldn't hear a word about self-determination for East Germany. He announced that the neutral nations won't have a thing to do with the struggle between Russia and the West, because it is not a struggle between right and wrong. He welcomed the yearly monsoon of dollars falling on his country, but scolded us for our materialism. And oh, yes: he *does* wish that Indian students who have come to America to study would not become so enamored of the place; if they would only return home to India—and face the difficulties there—and work hard to build India—if they would only return home. . . .

● Pablo Casals, great performer though he is, isn't the only Big Name in Music the White House could have had in for a musical soirée in the East Room; most of the others could have come and gone without anyone raising questions about the soirée's political meaning. So the conclusion is well-nigh inescapable: news of the

soirée was deliberately intended for consumption in a) Spain, an ally of ours of whom Mr. Casals thinks so poorly that he refuses to perform there; b) Puerto Rico, Mr. Casals' home, whose leftist Governor Muñoz Marín has also been a distinguished White House guest; and c) Liberal intellectual quarters in the U.S., where Mr. Casals is admired as a man whose name is always right up there at the top of any "anti-war," "anti-bomb," "anti-fascist" or anti-West manifesto. Yes, yes, we know; music is projected on a sphere far above that sort of thing—which is why we have always thought that Mr. Casals shouldn't boycott for political reasons his own country, where his musicianship is much admired.

● Prof. Hugh Seton-Watson (quoted in *The Observer*, Oct. 29, 1961): "Very often the best opposes the best. It's what is good about our civilization that the Russian Communists hate, and what is good about their civilization that frightens us." Well, could you give us a couple of examples, Professor? We promise not to be frightened.



Tanner, *Australian Bulletin*

"Isn't he moderate? He hardly mentioned Berlin."

● A Swiss banker came to New York City this month for a two-week round of conferences with American bankers, investment dealers, businessmen and government officials. One of *NR*'s editors asked him, "What do Swiss bankers think of the future of the United States dollar?" He said, "As a matter of fact, that's exactly

what my bank sent me here to look into. There is no doubt that the dollar will run into great difficulties next year. You must do something about your balance of payments. I think your first step will be to reduce your foreign aid program, but it is hard to say because your economics are so mixed up with your politics. But Europe and the United States are tied together economically, and Europeans know that the dollar must be protected. We will not let a panic develop." But if present policies continue indefinitely, collapse of the dollar will follow, and how will panic be avoided? "Well, I am an optimist," said the Swiss banker, "and I do not think this will happen. Nevertheless, if you do not alter your policies . . ." (and for a long moment he stared at his hands) . . . "ah, but I won't say it."

● Mystery: CBS World News Round-up announced from Ciudad Trujillo a couple of weeks ago that General Rafael Trujillo, Jr., acting for his family, was ceding all the Trujillos' vast sugar-holdings worth possibly a hundred million dollars, to a foundation that will provide housing, medical services, schools, etc., for the Dominican Republic's poor. A tidy sum, especially in so small a country, and a dramatic gesture (however motivated), and we should have thought the story newsworthy enough to receive at least modest press notice in the U.S. But we've seen nothing about it, and run into no one who has, and are consequently wondering if U.S. newspaper policy is, quite simply, *De Trujilibus nihil bonum*.

● With this issue of the *Bulletin*, we enclose a Special Introductory Offer for *NATIONAL REVIEW Magazine*. If by chance you do not now subscribe to the *Magazine*, you may take advantage of the offer yourself. But we had another thought in mind. We have been enclosing these little folders in our mail recently, with good effect. It occurred to us that *Bulletin* readers might want to put them to similar use, or just have them handy when needed to introduce some thoughtful friend to *NATIONAL REVIEW*. So, if you would like a supply of these (we think quite pretty) little cards, we would be happy to send them to you. Just drop a note to *NATIONAL REVIEW*'s Patrick J. Gorman, letting him know how many you can make use of. He'll send them to you by return mail, with our thanks. Your friends will thank you, too.

## Ace of Spades

The American press, which flew not only its flag but also its reason at half mast in its orgy on the death of Dag Hammarskjöld, did not find space for a report widely circulated in the European press: that the ace of spades, the "death card," had been found clutched in the hand of the dead Secretary General.

It is well, for that story was inaccurate. The ace of spades was in truth found lodged between Hammarskjöld's shirt and his undershirt, as *NR* knows from a

prominent American businessman who was in Ndola the night Hammar skjold's plane met disaster trying to land there, and who learned the truth from his long-time acquaintance, one of the physicians who undressed the corpse.

So it is established that Dag Hammar skjold and the ace of spades were intimate acquaintances, but the cause and nature of that relation remain open to the curiosity and speculation of mankind (for we have been informed that he Belonged to Mankind). What, then, are the possibilities?

Dag Hammar skjold was known as a punctilious man. He could not have put the ace of spades there by mistake. He was a careful dresser. If he did not put it there by mistake, then he put it there for a purpose—or someone else put it there for a purpose.

In Western terms, the most natural explanation would be that Mr. Hammar skjold was fond of card games and unscrupulously fond of winning them, and that he used his bosom as an orthodox Western expert might use his sleeve. Thus to hypothesize is not to denigrate the memory of a gentleman who was capable of using United States money to support the forces bent on destroying the only government in the Congo that was friendly to the United States. If he cheated at cards too, does this not make him more understandable as a human being? In his memory, are we not dedicated to the Search for Understanding?

But it might have been otherwise. Perhaps he was a man of superstition. Given his faith in the "mission" of the UN, we may suppose him capable of faith in the efficacy of other inert objects, such as playing cards. He was not a church-goer. He may have had other allegiances, and drawn his strength from other sources.

But the most ominous possibility is that someone put the card there, someone who knew the ways of Africa: someone who had fashioned a little image of his airplane, and driven nails or needles into it; and made an effigy of him, and crushed it while murmuring cantrip conjurations; who had given him the ace of spades and told him to wear it in his bosom as a sign of Understanding Of The Emerging Nations, and who had secretly destroyed a companion ace of spades. Quite possible: in Africa the deck is loaded with such cards.

## Who's Next?

The full meaning of the recent events in the Republic of Ecuador will, of course, emerge only as the new government of Señor Arosemena reveals its concrete domestic policies, its leanings in foreign affairs, and its "tone." But no one questions that it will be far to the Left of any previous Ecuadoran government; which is to say, add one to the growing list of countries, lately regarded as "safe" (Ghana, Guiana, Brazil), in which the evident trend must give concern even to a not-very-rightist Administration like Mr. Kennedy's.

**PEOPLE:** The Eisenhower drive to stop Barry Goldwater in '64 now surfacing. F'r instance, Ike's Interior Secretary and Modern Republican Fred Seaton has unofficially-officially taken job as Rockefeller's chief political aide in Midwest, will probably run for Nebraska governorship. Seaton was big Nixon backer in '60. . . . Rockefeller himself averaging a speech-a-day pace in New York state. . . . Texas conservatives believe Republican Kenneth Kohler has good chance of beating out three Democratic opponents in Potter County (Amarillo) election for state legislature this week. If so, Kohler will be lonely: no other Republican in Texas lower house. . . . GOP sources in Congress report Rep. Peter Garland, of Maine, believed to be the more conservative of two Maine congressmen elected a year ago, has moved so far over towards the Left he's no longer asked to join conservative caucuses.

Polish Communist leaders, back in Warsaw from 22nd Congress, predict that old-time Stalinist Walter Ulbricht will be ousted as head of East German government. They say he'll be succeeded by Karl Schirdewan, another long-time East German Communist who was purged in '58. . . . French press reports indicate President Kennedy has let Gen. de Gaulle know that he, Kennedy, won't stand for a partition of Algeria. JFK insists the FLN get all of it. . . . Gen. André Puget named to replace Gen. Olié as French Chief-of-Staff, dismissed as too *Algérie française*, also rumored to be OAS sympathizer. . . . Soviet film makers Sergei Urushewski and Mikhail Kalazatozov (*The Cranes are Flying*) in Cuba to make film about the Castro revolution.

Emerging as military champion of pro-Communist causes, Brig. Gen. Hugh B. Hester (who retired from the army in 1951). A member of the Communist-front Fair Play for Cuba Committee (and one-time guest of Castro's) he addressed rally of National Council for American Soviet Friendship in New York last week. . . . *Worker* (Nov. 12) ran front page smear of Gen. Walker (Headline: Gen. Walker Bids for Fuehrer Role). . . . Walker, who reportedly has been deluged with invitations to speak since his resignation, will testify before Senate Preparedness Subcommittee Nov. 27. . . . Roy Rubottom, Assistant Secretary of State for Latin American affairs in the period when William Wieland and others saw in Fidel Castro a Caribbean Robin Hood, has been appointed State Department adviser at Naval War College.

Record of sorts: Velasco Ibarra, booted out as president of Ecuador a couple of weeks ago, was elected to presidency four times, only ousted thrice.



Two points: First, in politics as in nature, forest fires *do* spread; there *does* appear to be a political domino-effect, so that when a Ghana goes, it tips over a Guiana and when a Guiana goes it tips over an Ecuador. It becomes important to remember which, in the present phase, was the first domino to go—Cuba, that is—and who was responsible a few months ago for the failure to stand it back up, and what therefore are the real sources of our impotence. Second, let us note the role of the Ecuadoran (as of the Brazilian) Air Force in the leftist take-over. This suggests that the ultimate power of political coercion now rests in that branch of the armed services that is technically furthest removed from tradition; whose members are most likely to have spent long periods of time abroad, accessible to leftist influences; which is logistically most ready to strike everywhere, at every moment, and so most likely to go off half-cocked.

## Of Nuclear Tests

The discussion of nuclear tests and fallout shelters is nearing the point of major national division.

Early in November the United Nations passed a resolution urging negotiations toward a test ban. On November 9, the New York State legislature passed Governor Rockefeller's bill for a \$100 million fallout shelter program. The very next day, a paid advertisement in the *New York Times*, signed by 183 professors in and around Boston, argued *against* fallout shelters and urged a "race towards peace." That same day, Brig. Gen. Austin W. Betts, director of the Atomic Energy Commission's Division of Military Applications, said that further tests would lead to "more discriminate" weapons with less radioactivity. That same day, Mr. Nehru of India announced his opposition to building shelters.

On November 11, David Lilienthal, former chairman of the AEC, warned against "nuclear phobia" and "nuclear jitters." (Previously on record with him: Dr. Edward Teller, Senator Goldwater, Senator Dodd.) Next day, WNBC's program, "Open Mind," was devoted to the shelter question, with Governor Rockefeller's shelter adviser facing four opponents (including one of the 183 professors, and Norman Cousins of SANE). On the 13th, twenty Hollywood personalities met at the home of Steve Allen (long a major SANE propagandist) to form a SANE auxiliary and possible successor, HELP (Help Establish Lasting Peace), announced their support of "President Kennedy's plan" for a test moratorium controlled by the UN. Next day, the UN Political Committee passed a resolution banning the use of nuclear weapons and "de-nuclearizing" Africa.

On that day (the 14th) Governor Rockefeller announced his opposition to any negotiations with Moscow on a test ban, and urged immediate resumption of U.S. tests. Same day, Richard Nixon called on the President to resume tests, said he would have done so immediately upon taking office had he been elected President. Same

## • At Home •

Washington

**The conservative majority** in the small group of Republican political pros here sought solace in a probe of this month's election returns, and pulled out a plum or two. The outcome in New Jersey and New York City, they believe, deals a crippling blow to Nelson Rockefeller's Presidential ambitions. Rockefeller had much to do with James Mitchell's candidacy and campaign; and everyone knows his heavy involvement in his man's, Louis Lefkowitz' lack-lustre mayoralty campaign in New York City. The setback would have been graver if the metropolitan press—which would have hailed a Republican victory on either side of the Hudson as a Rockefeller triumph—had not remained discreetly silent on the relation of Rocky to the Republican defeat.

There is much talk, too, about the rumored fourth party movement in New York which, so the gossip goes, will put up a conservative candidate in '62 to oppose both Rocky and his still faceless Democratic opponent. If a conservative ticket subtracts heavily from the Rockefeller gubernatorial vote, the pros reason, he will be well on the way to becoming what Rob Richards, Washington Bureau Chief of the Copley papers, once called him—"the rich man's Harold Stassen."

**What exactly is** Adlai Stevenson's relation to his boss?

The query has been heard ever since those days, even before the Inauguration, when the friends of Alger Hiss' character referent were trying to pry loose a Cabinet seat for their drooping champion, and finally settled for the UN post "with Cabinet status." Everyone knows that Adlai was in the front line of retreat on the Cuban operation. Better defeat in the field than neutralist disfavor on the East River! Now the puzzling is over the Red China UN-entry issue, due to hot up Thanksgiving week. Is Ambassador Stevenson speaking by the White House book, or is he adding a personal touch that the President is too busy to notice? The deal on Outer Mongolia was plain enough. The U.S. and Free China would permit Mongolia's—and thus Mauretania's—UN entry in return for support by the dozen "Brazzaville nations" of an Assembly decision that the admission of Peiping was "a question of substance," thus requiring a two-thirds vote under the Charter. Once established, this ruling would bar Red China indefinitely, since she has no prospect of a two-thirds majority. On this understanding, the Mauretania-Mongolia vote went through the Security Council. But now, with the showdown at hand, the East River corridors whisper that Adlai is, well let's not say welching, but "re-thinking the situation." His "experts" tell him that the agreed plan is "not legal"

(whatever that could mean in a case that falls under no principle or precedent). He inclines toward dropping the whole thing, and proposing a committee of twelve to "review the Chinese problem": a procedure which, even if it worked for the moment, would leave the gate wide open for Peiping in next year's session.

**Sources linked to** White House pipelines declare: Forget any idea you may have had about a second try on Cuba so long as John Fitzgerald Kennedy is President. The word has been given: let's "adjust to realities," Ally for Progress, etc. With no help or coherent guidance, the Cuban exile organizations churn, squabble and disintegrate. It is said that under White House orders CIA offered no objection to José Miro Cardona's call for exile unity not because the Administration favors Cardona but because it was well known that the exiles would never unite under so unpopular a leader. New exiles, meanwhile, continue to arrive. Nowadays these are mostly workers, including many with important skills. (Most of the middle and professional classes have already fled, or been exiled.) And within Cuba the resistance operates as best it can—as doomed, evidently, by White House policy, as its Hungarian forbears.

**The Fulbright memorandum** came as a shock to the general public, but not to the officer corps. Operation Muzzle is a long-term campaign. It began at least two years ago, and President Kennedy is only speeding up what was initiated under his predecessor. (Remember the ominous phrases about military-industrial forces that someone inserted in Ike's farewell address?) One significant sign was a shift in programming by the four top echelon war colleges (National, Army, Navy, Air). Since the war their lecturers have included a certain number of qualified civilians along with the regular staff plus military and government officials. Among the civilians were several informed, hard anti-Communists whose appearances have been vigorously approved by the officer-students, much of the faculties and the commanding officers. One after another, on orders from on high, the invitations to these anti-Communist lecturers have been discontinued, until the speaking diet has been reduced to an almost monochromatic bland Fulbrightian pap. The process is now being carried a phase further. As witness: A few weeks ago the Air War College flew a VIP plane up from its headquarters at Maxwell Air Force Base in Montgomery, Alabama, to Rochester, N.Y., to fetch as visiting lecturer Vera Micheles Dean, for so many years a voice of pro-Soviet apology from her key spot in the Foreign Policy Association, who has never ceased speaking with the gentlest of tones about the doings and misdoings of her homeland—she having been born in Petrograd, as it then was, in 1903. QUINCY

day, Mrs. Dagmar Wilson, "coordinator" of a group called Women Strike for Peace, received letters from Nina Khrushchev and Jacqueline Kennedy saying they desired peace but supported their husbands' programs.

And on that day Pablo Casals, who had performed the night before at the President's invitation in a stupendously publicized White House evening of chamber music, joined with Albert Schweitzer, Bertrand Russell, and eight others in signing an open letter to the President opposing resumption of nuclear tests. The letter was made public by—the Committee for a Sane Nuclear Policy.

**BRIEFS:** Republican strategists see good chance of winning back four important states in next year's gubernatorial elections: California, where Nixon is strong candidate; Connecticut, where lively Republican race for nomination is expected to stir public interest (running, to date: John Alsop, brother of Joe and Stewart, former Republican State Chairman Ed May, former Conn. governor and ex-U.S. Ambassador to Spain John Lodge and a half dozen others); Michigan, where Dem. Gov. Swainson has been in political hot water since his election (to scrub up after Soapy is hard), and Ohio where Dem. Gov. Di Salle won't run again. . . . **Right-to-Work advocates hopeful they'll get anti-closed shop legislation on books in Oklahoma next year, possibly also Kentucky, Louisiana.** . . . A district Court of Appeals, in Los Angeles, has overruled lower court which held that Machinists Union was justified in expelling two union members who advocated passage of a California right-to-work proposal. . . . State Department last week refused to allow Harry Bridges, Communist-leaning head of Longshoremen's union, to attend Havana labor conference.

Novel problem facing French army: speed-up in promotions of lower and intermediate grade officers in recent months following purge of higher echelons has resulted in acute shortage of combat officers. . . . France now has law to recompense victims of plastic bomb attacks. . . . **Morale problem in French police linked to 314 police casualties in terrorist attacks over past two years, 39 assassins arrested, but not one yet sentenced.** . . . Reports that UN soldiers in the Congo had been selling arms to Angola terrorists confirmed by capture of Angolan rebels with UN equipment. . . . UN Emergency Force on Egyptian-Israeli border has ordered 72,000 yards of blue muslin: it's to make turbans for Sikh troopers from India who won't wear the regulation UN blue berets.

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## • Trends •

**Opportunity's knock** is loud as Great Britain raps on the door of the Common Market. If Euromart is opened to Britain and her trading partners queued up behind, the next decade could see the Free World's economy immeasurably strengthened *vis-à-vis* the Sino-Soviet bloc, and momentum created to carry the West toward integration in a community capable of wielding economic strength with decisive political effect.

But this historic opportunity could be missed; instead of trending toward unity, the West could find itself split into rival trading blocs, fulfilling Stalin's prophecy that the selfish capitalists would quarrel bitterly and let themselves be picked off one by one. The shape of the world in 1970 will be largely decided by the quality of political leadership in Washington.

Almost surprisingly, the leadership could hardly be better at the moment. Subject to last-minute qualm, Kennedy has decided to join the battle in Congress next year for unprecedented tariff-cutting authority, the better to bargain for the U. S.'s place in the New Europe. The President, Administration spokesmen and such Liberal pundits as Walter Lippmann are singing the praises of free trade, as they must in view of the raging protectionist fever. All is hustle and high resolve, so far.

The real test will come later than the Liberals think; the skirmish on Capitol Hill, assuming it ends successfully, will be only the beginning. Once the U. S. gains entry to the free trade arena, it will be caught up in a struggle with skilled, fiercely competitive friends for which it is ill-equipped. Rising protectionist sentiment is a measure of the flabbiness of the U. S. economy; not unreasonably, many doubt their ability to compete on an equal footing in the American marketplace. In tracing the causes of this timidity, the Liberals will discover their own dogma, as implemented by a generation of high taxation, senseless subsidy and harmful government intervention.

The question, of course, is whether discovery will be followed by self-repudiation. For nothing less than a sharp turn away from statism will get the U. S. through the difficult years ahead with its primacy intact. In three areas particularly, the Liberals will be required to swallow pride and jettison conventional wisdom.

**Fiscal and Monetary Policy.** Regardless of the political bumps, the Kennedy Administration must travel a non-inflationary road. At stake is the integrity of the dollar, which ought to be more valuable than Walter Reuther's good opinion. In order to bolster the dollar, the U. S. must sell a great deal more overseas, and thereby bring its chronic deficit of payments closer to balance. But wage-push inflation, obviously, prices U. S. goods out of world markets.

Last May, the Organization for European Economic Cooperation (now the Organization for Economic Cooperation and Development) published a report which

surveyed rising prices among the Western nations in the period 1953-60. In the U. S., said the report, wage-push inflation is particularly pronounced; "round after round of wage increases have weakened the competitive position of American industry in world markets." Added the report: "Perhaps more than in most countries, inflation in the U. S. has been an obstacle to economic growth; we believe that moderation in the rate of the wage increase is fundamental to avoiding such inflation in the future."

Equally fundamental is the necessity for self-restraint in Washington, so that chronic budget deficits and "cheap" money do not create the fuel for inflation.

**Tax Policy.** Among its Western trading partners, the U. S. has easily the most oppressive, incentive-thwarting levies. For example, it raises 86% of federal revenue—in contrast to West Germany's 22%—from taxes on income and capital. Western Europe's typical tax structure leans heavily toward taxation of consumption, which facilitates capital accumulation, expands the economy and so boosts consumption. Washington short-sightedly prefers to get its cut first.

Crippling, too, are archaic depreciation allowances on U. S. machinery, last revised in 1942. Where Western European governments (even Socialist regimes) permit swift depreciation of machinery to insure maximum plant efficiency, American industry must get by with second-best machinery. Costs of replacement are currently out-running depreciation allowances by \$6-\$8 billion annually. With the estimated backlog of unreplaced obsolete machinery approaching \$100 billion, the U. S. is far behind in a quickening race. Machine tools installed in the next decade typically will become outmoded in five years; in the 1940s, the up-to-date span was twice as long. Urgently needed: across-the-board liberalization of tax write-offs before U.S. machinery goes further downhill.

**Government Subsidies.** From amid the array of federal handouts of one sort and another, consider cotton subsidies, which have a direct bearing on U. S. trade problems. While U. S. mills are caught in a worsening cost-squeeze, the government this year jacked up cotton price-supports a nickel a pound. Moreover, in order to hold down its stores of surplus cotton, the government plans to export some 5.8 million bales of this year's crop by offering foreign buyers a handsome subsidy—8½ cents a pound, \$42.50 a bale—to take the stuff away.

What this means in practice is that the American cotton buyer and the gentleman from Hong Kong, shopping in the Memphis marketplace for the same basic print cloth cotton, will pay different prices: the American, 35 cents a pound; his low-wage, low-cost competitor, almost a dime less. The American can't go abroad to buy cheap cotton because of a tight government import quota, but the gentleman from Hong Kong will send back a shipload of goods. Obviously, for the Liberal free-traders, the jiggety-jig to the free market will end with a jolt.

RICHARD WHALEN



## • Abroad •

**Paris.** In the substance of foreign policy, General de Gaulle has had his troubles in trying to revive the grandeur of the France of *le Roi soleil*, but in outward form he has had himself—quite literally—an almost continuous ball. Never have there been so many public ceremonies for so many as Paris has staged over the past two years. In the Place de la Concorde the Fifth Republic (as it is quaintly called) has erected the two largest flagstaves in the world, able to handle flags 20 by 30 meters in winds up to 100 mph. Every week new thousands of banners are broken out from these, from their fellows in every square and on every major building, and from the lampposts of the major avenues. President de Gaulle prefers to dine and dance his guests of state at the monumental palaces of Versailles and the Louvre rather than humdrum bureaucratized buildings. Command performances of opera, theater and orchestras are spread before them. The workmen have scarcely time to change the city's decorations, so fast do the guests succeed each other: within a few months this year, two Presidents of the United States, the Kings of Belgium and Thailand, Nikita Khrushchev, the Presidents of Senegal, West Germany, Gabon, Ivory Coast, Peru, the Shah of Iran, Emperor Haile Selassie, Prince Rainier, the Prime Minister of Quebec. André Malraux takes a particular interest in the pomps. He has planned for next year a complete revamping of the Champs Elysées to permit flags 25 meters square to be flying on both flanks every 15 meters from Tuileries to Arc de Triomphe.

**Geneva.** First hand reports from Pierre Guillery to the *Journal de Genève* give new details of the booming opium industry, Communist China's top earner of foreign exchange. Production of crude opium has nearly doubled in the past decade, to approximately 15,000 tons. Processed drugs are shipped abroad through four routes: north China (Tsingtao-Tientsin) to Korea and Japan; Shanghai to Baghdad and Africa; Canton to Hongkong-Macao; Yunnan into Burma-Thailand, and from there to Japan, Hawaii and America. A recent escapee, who worked on a 7,000 acre poppy farm near Lingyuan, Jehol province, reports it enclosed by electrified barbed wire and guarded continuously by Red soldiers.

**Paris.** France and the Soviet Union have been holding simultaneous parallel expositions in each other's capital. A French engineer, who helped set up the French exhibits in Moscow, declared on returning: "The great superiority of the Russians lies in the way they get the best and the most out of their men, while the West lets her men rot. A Russian scientist works for the sake of the power of the Soviet army and for the Communist conquest of the world. A Western scientist signs petitions to get his country to capitulate before aggression, and he preaches disarmament. A Soviet scientist is a conqueror;

a Western scientist, a pacifist. The former profits from all the strength of imperial advance; the latter mires his spirit in the slough of democratic pathos. Just compare the victorious atmosphere of Soviet study centers with the defeatist atmosphere of Saclay [a French research center], for example. The West senses the scientific sterility of the Joliot-Curies, Oppenheimers and Perrins to such a degree that it has got to make use—in spite of all the inconveniences—of a von Braun and his team. With the Russians, a scientist is first of all a soldier of Communism. In the West, a scientist is above all an anti-militarist."



Vicky, London Evening Standard

**Bologna.** The government of this city, as well as the agricultural cooperatives in the surrounding country, is run by the Communist Party. The right-wing magazine *Borghese* reports an interesting consequence. The CP has just completed a big public campaign to raise money for the Party press. It was a rousing success because, and only because, the principal subscribers included a long list (printed in *Borghese*) of local businessmen and corporations that shelled out \$500 to \$2,500 apiece. This incident is typical of the ways in which Italian business, "vainly hoping to be spared tomorrow," is subsidizing Communist and Soviet political operations at a current rate of many millions of dollars a year.

**Grenoble.** Pierre Mendès-France has emerged from semi-withdrawal, and is touring France to put forward—usually to small, closed meetings—his plan for a "transitional regime" to take over from "the General." He proposes what Communists used to call a "united front from below," resting on "a contract" to uphold a three-plank platform: 1) "peace in Algeria," interpreted to mean immediate transfer of unconditional sovereignty over all Algeria and the Sahara to the GPRA (i.e., the FLN); 2) "resistance to fascism," interpreted to mean opposition to the "extreme Right and its military allies" (i.e., to all who favor *Algerie française*); 3) "an end to personal power, and re-establishment of genuine democratic institutions," interpreted to mean a Popular Front government comprising all except patriotic, conservative and anti-Communist tendencies.

## • The Investor •

**This is the year's** open season for tax selling. Stockbrokers, accountants and investment advisory services are bombarding investors with advice on how to minimize income tax payments due in 1962, through sale of stocks. I am reminded of this by telephone calls from widely-scattered cities and towns from clients who have been made to feel they are out of pocket unless they sell to establish losses. While some of the zeal behind the pushing of sales to establish tax losses may be attributed to the understandable desire to create additional commissions and fees, much of it stems from a sincere, though mistaken, belief that minimizing present taxes is of greatest importance. My 37-year experience in the investment business has led me to conclude that the emphasis on saving current taxes has, on balance, been very costly to investors. Why does this happen?

First, it is human nature to select for sale the stocks on which one has the largest losses, since this creates the biggest tax reduction. These stocks are likely to be the ones to snap back the most when tax selling abates. Second, the intention to buy back within the Internal Revenue Bureau's prescribed 30 days is seldom followed out. The chances are either that a stock will rebound above the sale price and deter repurchase, or that the unpleasant emotions involved in having sold at a loss will prevent re-acquisition.

At hand I have one of many brokerage memoranda, recommending couplets of stocks which are to be traded either way to establish tax losses. One example is Texas Instruments and Minneapolis Honeywell. That these two companies have been equated would lead one to assume that the quality of the management and the assurance of a prosperous future is the same for both. Any intensive study of the two companies and their managements will establish that this is not so.

Also coupled are American Airlines and United Airlines, and Parke Davis and U.S. Vitamins. Merely because they are in the same industries does not mean that the quality of the managements is the same, nor that the financial strengths are equivalent. Neither does it establish that there is nothing to choose between them as to profitability of future earnings growth.

For example, the route structures of American Airlines and United Airlines have important differences, the equipment of each differs vastly. The management personalities and organizations differ radically. One might intelligently make an investment commitment in one and eschew the other. To sell one and buy the other for the purpose of establishing tax loss is to view unrealistically one airline as attractive as the other.

This is not to say that no sales should be made to lower income taxes. Any time of year is a good time to eliminate stocks of companies which competent and thorough analysis shows have seriously deteriorated in management or long-range earnings growth potential.

Any time this conclusion has been reached action could be taken, but it will generally prove to the investor's advantage to make this decision other than in the months of October, November and December when so many others are further depressing the prices of stocks which have already declined.

The point is, that the determination to sell a stock should be made on other factors than diminishing one's current income tax.

One dramatic and unfortunate example comes to mind. Some years ago a stock with current assets of \$30 per share sold at 5½ because it had operated in the red for the current year. Within a few years, earnings came back strongly and the stock sold above 35. The tax loss of the purchaser at \$10 was almost 50% of this price, but as usual—repurchase was not made. The income tax reduction proved a mere fraction of the gain realized by other clients who held on.

The difficulty lies in the concern of investors and investment services to look good at any given moment.

One partner in a stock exchange firm devoted to servicing institutions in long-term investment has enjoyed unusual success and recognition. I recently quoted him to a partner in another stock exchange firm. The reply was, "Yes, I am familiar with his work; he is a brilliant analyst, but characteristically two to three years early in his selections." This remark was meant to dismiss the brilliant analyst as impractical.

Quite the reverse is true, I believe. There is more to be gained by looking several years ahead, than trying to guess the popular market favorites of today, next month, or the next twelve months. Often it is said that six to twelve months is as far as any one can see ahead: that to try to look ahead further is foolish.

The fact is, that no one can consistently see ahead accurately for six to twelve months. The chance of discerning broad trends which will influence a company's success a number of years ahead is considerably greater.

**As a final word** to those who cannot resist tax selling pressures of the open season, I suggest you first carefully examine the reasons you bought a particular stock and determine whether they are still valid.

If so, and the stock has declined materially below your purchase price, I suggest you buy instead of sell the shares you are impelled to sell to take a tax loss. If you do this comfortably, more than 30 days before the year's end, you will then have the option of either selling shares originally purchased or of retaining, at an advantageous price, the additional shares.

If your decision has been intelligently arrived at, the chances are that, in late December, tax selling may have already abated and the shares will be selling at a higher price. Admittedly, such action is not without risk that the price will be lower, late in December. However, for the investor who cannot resist tax selling this is a way to insure himself against losing his position in a promising company.

NORVIN R. GREENE



